27 August 2018

The Honourable Selina Robinson
Minister of Municipal Affairs and Housing
Room 310, Parliament Buildings
Victoria, B.C. V8V 1X4

Dear Minister Robinson,

RE: Modernization of Utility Taxation

At the August 7, 2018 Regular Meeting, District of Ucluelet Council passed the following motion:

THAT Council approve recommendation 1, 2 and 3 of report item, “Modernization of Utility Taxation” which states:

1. THAT Council submit the following late resolution for consideration at the 2018 UBCM Convention:

   WHEREAS Section 644(2) of the Local Government Act is intended to define the requirements of a 1% annual tax on utilities carrying on business in a municipality;

   AND WHEREAS utility company services have expanded beyond electrical light, electric power, telephone, water, gas or television services to include internet and cellular services:

   THEREFORE BE IT RESOLVED that the Province initiates the modernization of Section 644(2) of the Local Government Act to include internet and cellular services;

2. THAT Council send a letter to the Minister of Municipal Affairs & Housing; and

3. THAT Council send a letter to all UBCM member municipalities encouraging them to write to the Minister of Municipal Affairs & Housing.

This motion has been submitted as a late resolution to the 2018 UBCM Convention and we look forward to discussing with you then.

Sincerely,

Dianne St. Jacques
Mayor, District of Ucluelet

Enc; Modernization of Utility Taxation Report
COUNCILLOR REPORT TO COUNCIL

Council Meeting: AUGUST 7, 2018
500 Matterson Drive, Ucluelet, BC V0R 3A0

FROM: COUNCILLOR MAYCO NOEL

SUBJECT: MODERNIZATION OF UTILITY TAXATION

ATTACHMENT(S): SECTION 644 - LOCAL GOVERNMENT ACT

FILE NO: 0410-20
REPORT NO: 18-80

MOTION:

1. THAT Council submit the following late resolution for consideration at the 2018 UBCM Convention:

   WHEREAS Section 644(2) of the Local Government Act is intended to define the requirements of a 1% annual tax on utilities carrying on business in a municipality;

   AND WHEREAS utility company services have expanded beyond electrical light, electric power, telephone, water, gas or television services to include internet and cellular services:

   THEREFORE BE IT RESOLVED that the Province initiates the modernization of Section 644(2) of the Local Government Act to include internet and cellular services;

2. THAT Council send a letter to the Minister of Municipal Affairs & Housing; and

3. THAT Council send a letter to all UBCM member municipalities encouraging them to write to the Minister of Municipal Affairs & Housing.

PURPOSE:

The purpose of this report is to seek Council’s support in the District of Ucluelet advocating for the modernization of the 1% utility tax rate in the Local Government Act (LGA) to include internet and cellular services.

BACKGROUND:

Section 644 of the LGA provides for the taxation of utility companies (attached as Appendix A). Subsection 2 requires municipalities to tax utility companies at a rate of 1% on telephone or television services.

Staff have confirmed with a Telus representative that the 1% utility tax applies only to telephone land lines. Many households have replaced their land line telephone with a cellular phone, so while the utility company continues to offer a calling service it is not required to forward 1% of their revenue to municipalities.

Like the telephone, television subscriptions have also decreased due to the internet and online tv streaming services. Internet services are delivered to households using cable and wire – both of which are included in the LGA’s definition of a utility company’s “specified improvements”. However, the legislation is completely silent on the revenue from internet services which are still largely provided by “traditional” telephone and television service providers.
The updating of the LGA to reflect advancements in technology and changes to utility companies' revenue streams is overdue. I would like Council to support my motion to send a resolution for modernizing the 1% utility tax rate to the 2018 UBCM Convention as well as sending a letter to all BC municipalities. Local municipalities are always struggling to find new revenue streams and it appears this is one revenue stream that has been forgotten.

Respectfully submitted:      Mayco Noel, Councillor
APPENDIX A - Local Government Act (Excerpt)

Taxation of utility company property

644  (1) In this section:

"specified improvement" means an improvement of a utility company that is
(a) a pole line, cable, tower, pole, wire, transformer, equipment, machinery, exchange equipment, main, pipe line or structure, other than a building,
(b) erected or placed in, on or affixed to
   (i) land in a municipality, or
   (ii) a building, fixture or other structure in or on land in a municipality, and
(c) used solely in the municipality or a group of adjoining municipalities by the company for local generation, transmission, distribution, manufacture or transportation of electricity, telephonic communication, water, gas or closed circuit television;

"utility company" means an electric light, electric power, telephone, water, gas or closed circuit television company.

(2) A utility company that is carrying on business in a municipality in which it has specified improvements must be taxed annually by the municipality at the rate of 1% as follows:

(a) for a telephone or closed circuit television company, on the gross rentals received in the 2nd preceding year from its subscribers for telephone or television service located in the municipality, including telephone interexchange tolls for calls between exchanges in the municipality;
(b) for any other utility company, on the amount received in the 2nd preceding year by the company for electric light, electric power, water or gas consumed in the municipality, other than amounts received for
   (i) light, power or water supplied for resale,
   (ii) gas supplied for the operation of motor vehicles fuelled by natural gas, or
(iii) gas supplied to any gas utility company, other than a
government corporation as defined in the Financial Administration
Act or a subsidiary of a government corporation.

(3) Tax under subsection (2) is subject to the same remedies and penalties as taxes
under Part 7 [Municipal Revenue] of the Community Charter.

(4) A utility company liable to tax under subsection (2) must
(a) by October 31 in each year, for the purpose of determining the tax
payable in the next year, file with the collector a return of the revenue
referred to in that subsection that was received in the preceding year, and
(b) pay the tax imposed under subsection (2) in accordance with Division
10 [Property Tax Due Dates and Tax Notices] of Part 7 of the Community
Charter.

(5) As an exception to subsections (2) and (4), in the case of a company to which this
section applies for the first time in the municipality,
(a) the company must pay the tax imposed under subsection (2) in the 2nd
year of its operation on the basis of revenue earned in the first year, and
(b) the report of revenue earned in the first year must be filed before May
8 of the 2nd year of operation.

(6) Tax imposed on a utility company under subsection (2) is in place of tax that might
otherwise be imposed on the specified improvements under section 197 (1)
(a) [municipal property taxes] of the Community Charter, and taxes may not be
imposed under that provision on the specified improvements although they may be
imposed on those improvements under section 197 (1) (b) [property taxes for other
bodies] of the Community Charter.

(7) For certainty, all land and improvements of a utility company in a municipality, other
than specified improvements, are subject to tax under section 197 [annual property tax
bylaw] of the Community Charter.